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C O N F I D E N T I A L SEOUL 002052

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SUBJECT: SENATOR HAGEL MEETS ROKG OFFICIALS

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4 (b/d)

¶1. (C) Summary: Senator Chuck Hagel (R-NE), in a round of October 15 meetings with ROKG officials including President Lee Myung-bak (septel), the Prime Minister, the Minister for Unification, the Minister for Trade, and the opposition Democratic Party Leader, discussed a range of bi-lateral and international issues:

-- North-South relations are not likely to improve any time soon;

-- The ROKG, reading U.S. political tea leaves, understands that ratification of the KORUS FTA is unlikely this year and vows not to renegotiate;

-- In the wake of the international financial crisis, Korea wants a role in creating a new global financial architecture;

-- The National Assembly's opposition Democratic Party doubts the benefits of Korea ratifying the KORUS FTA ahead of the U.S. End Summary.

Prime Minister: ROK Wants to Be a Player

¶12. (C) Prime Minister Han Seung-soo said he understood the Senator's comment that the KORUS-FTA would probably not be voted on in the U.S. Congress this year, and added that the Lee Myung-bak administration would seek prompt ratification of the FTA in Korea in any case, and that the ROKG may then push ahead with and even ratify trade agreements with the EU and China.

¶13. (C) Prime Minister Han also emphasized the ROKG's desire to be involved in the design and implementation of a new global financial architecture, if such a thing is developed in response to the financial crisis. Han said the ROK could easily be sidelined in multilateral financial discussions in favor of the larger Asian players, China, Japan and India, but the ROK's success in both real and financial economic development argued for it having a seat at the table, where it would defend market principles. Sen. Hagel agreed and promised to take the message back to Washington.

Minister of Unification: N-S Stalemate to Continue

¶14. (C) Minister of Unification Kim Ha-joong told Senator Hagel that North-South relations are likely to face a continuing stalemate. Kim said that, although it was not known publicly, the DPRK continued to call for an apology

from President Lee and his party for criticizing the North for the past 10 years as the opposition party during the "sunshine" years.

¶15. (C) In addition, the DPRK also demanded full implementation of the October 4, 2007 declaration -- signed by President Roh four months before the end of his term, outlining 45 inter-Korean projects costing some USD 15 billion in funding. According to Kim, the ROKG had in turn proposed that both Koreas jointly review potential projects, priorities, and implementation plans, but the DPRK insisted that the ROKG first commit to full implementation of the declaration.

¶16. (C) This unrealistic demand, especially in the current economic situation, coupled with North Korea's continued derogatory remarks and criticism of the Lee administration for the past seven months, would likely prevent any progress in inter-Korean relations in the foreseeable future. If the DPRK returned to the negotiating table, however, the ROKG was ready and willing to actively engage with North Korea. Until then, the ROKG would take a wait-and-see approach, Kim said.

¶17. (C) Kim also shared that the ROKG was planning to provide food assistance to the DPRK, but he offered no details. In addition, Kim praised Secretary Rice and Assistant Secretary Hill for the recent renewed progress in the Six Party Talks (6PT) process.

Minister for Trade: Hoping against Hope on FTA

¶18. (C) Trade Minister Kim Jong-hoon said that Korea was strongly committed to the KORUS FTA, and asked about the prospects for obtaining Congressional approval in a lame-duck session before the end of this year. The Senator replied that a brief lame-duck session starting on November 17 was unlikely to take up sensitive policy issues like trade agreements, irrespective of who won the election.

¶19. (C) Kim briefed the Senator on the ROKG's recent submission of the KORUS FTA to the National Assembly. Kim was trying to persuade NA Members that Korea should ratify the FTA now, a few steps ahead of Congress; but if it looked like Congress would not turn to KORUS until 2010, that would be asking Korean legislators to get out too far ahead of their Congressional counterparts.

¶10. (C) Kim said while he knew of some Congressional concern about the autos issue, Korea could not renegotiate the autos provisions of the FTA, and frankly the FTA was so strong on autos there was nothing left for Korea to give. The Senator agreed that the auto stakeholders were the most influential voice against the FTA, but said that educating Congressmen about what's actually in the FTA would be critical to addressing the autos issue.

¶11. (C) Kim said that while the FTA was a hugely important commercial agreement, its importance extended beyond economics: it would deepen the U.S.-ROK alliance, and send a signal of U.S. engagement in Asia. Moreover, prompt ratification of the FTA would be a way for the United States and Korea to demonstrate that the world was not retreating into beggar-thy-neighbor policies, as occurred during the Great Depression, but actively trying to expand global economic activity. Kim said he was thinking of traveling to Washington after the election, to connect with members of the new Administration; Senator Hagel remarked that could be useful. The Senator thanked the Trade Minister for all his personal efforts on the FTA; he agreed it was important, and though leaving the Senate, would do what he could to help move it forward.

Democratic Party Leader: A Closet Republican?

¶12. (C) Democratic Party (DP) Chairman Chung Sye-kyun said

that continued strong relations between the U.S. and the ROK were important and that the ROK shared with the U.S. the goal of a nuclear-free Peninsula. He said that after moving beyond disablement, a peace regime would hopefully follow. Senator Hagel noted the contribution of the Six-Party Talks (6PT) to peace on the peninsula.

¶13. (C) Chung said he was doubtful of President Lee's and the ruling Grand National Party's (GNP) argument that Korean ratification of the KORUS FTA would spur the U.S. Congress to action. Senator Hagel agreed, noting that it would not, however, hurt if Korea ratified the FTA first. The Senator said he supported the KORUS FTA and wanted to see it passed.

¶14. (C) Chung said the international financial crisis was the result of free market values having gone too far, resulting in too many risks being taken. Korea, nevertheless, was weathering the international financial crisis relatively well, he said. In the past, if the U.S. coughed, Korea caught a cold and if the U.S. caught a cold, Korea came down with pneumonia. Fortunately, Korea's economy had become more diverse and Korea had more trade partners than it did during the 1997 Asian financial crisis.

¶15. (C) Chung said the DP disagreed with President Bush's policy of decreasing taxes and thought it was a reckless policy that contributed to the financial crisis. Chung said he hoped President Lee would learn from (what Chung called) President Bush's mistakes and de-emphasize tax cuts. President Lee wants to lower taxes and decrease regulation, policies that Chung's DP opposes.

¶16. (C) As the amicable meeting ended, Chung laughingly noted that he agreed with so much of what Senator Hagel had to say that he would be a Republican if he were in the U.S.

¶17. (U) CODEL Hagel cleared this message.
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